

**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**FUNDING BOARD PRESENTATION**  
**December 14, 2004**

**ESTIMATION OF TOTAL AND NET PROCEEDS FOR**  
**FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006**

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**SUMMARY INFORMATION for Fiscal Year 2005:**

**As of October 31, 2004**

Gross Ticket Sales	\$251.35 Million
Total Proceeds	\$235.45 Million
Return to Education	\$71.299 Million
% of Total Proceeds	30.3%
Due to After-School Program	\$ 1.175 Million
Retailers	Approximately 4,500

**Projected for Fiscal Year Ending June 30, 2005**

Gross Ticket Sales	\$740.48 Million
Total Proceeds	\$693.03 Million
Return to Education	\$210.035 Million
% of Total Proceeds	30.3%
Due to After-School Program	\$ 3.8 Million

**SUMMARY INFORMATION for Fiscal Year 2006:**

Return to Education	\$218.98 Million
Due to After-School Program	\$ 3.95 Million

## **Revenue (Sales) Assumptions:**

### Instant Ticket Sales

Average Weekly Sales as of 10/31/04 were \$9.6 Million. We are expecting sales to stabilize at this level for the remainder of the fiscal year.

### Powerball Ticket Sales

Average Weekly Sales as of 10/31/04 were \$3.1 Million. During the first four months of this fiscal year, the lottery experienced a jackpot of \$215 Million, which increased expected normal sales during this period. Additionally, a \$212 Million jackpot occurred in May 2004, and most recently a \$171 Million jackpot in early December 2004.

Such large jackpots are expected approximately 2 times within a given year. Our projected sales for the remainder of the fiscal year do not include an expectation we will experience a jackpot similar in size. Therefore, our weekly sales average is projected at \$2.69 million.

### Cash 3 Ticket Sales

Average Weekly Sales as of 10/31/04 were \$1.26 Million. We are expecting sales to stabilize at this level for the remainder of the fiscal year.

### Lotto 5 Ticket Sales

Average Weekly Sales as of 10/31/04 were \$.57 Million. This game was introduced in early September 2004, and sales are currently not stabilized for this game. We are expecting sales to stabilize for this game at \$.45 Million for the remainder of the fiscal year.

## **Other Relevant Gaming Data**

Prize Expense for Instant Tickets is currently 60.28% of Net Ticket Sales. The lottery will continually evaluate this percentage for the remainder of the fiscal year to ensure it maximizes ticket sales without impacting net lottery proceeds.

Prize Expense for Online Games is currently at 50% of sales, except for Cash 3 at 50.99%. We expect for the fiscal year prize expense for all online games to average 50% of sales.

Retailer Commissions is currently 6.5% of sales, and is based on gross ticket sales. No change is expected this fiscal year.

Vendor Fees are established per the contractual terms for the two major gaming vendors. The online gaming systems vendor receives 1.24% of Net Ticket Sales and the instant ticket vendor receives 1.139% of Gross Instant Ticket Sales for their services. These fees are approximately 2.1% of total net ticket sales expected for the fiscal year.

Advertising expense is currently budgeted at \$15.1 million. This represents approximately 2 % of gross ticket sales expected for the fiscal year.

### **Operating Expenses**

Fiscal Year 2005 operating expenses include personnel, fringe benefits and other. Personnel costs are currently budgeted at 1.5% and fringe benefits at .4% of Total Proceeds. These estimates have not been adjusted for the effect, if any, of the most recently completed compensation and benefit study. However, we do not expect the budgeted amounts to increase as a result of any adjustments.